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Investigation and  
prosecution of war frauds  
Washington

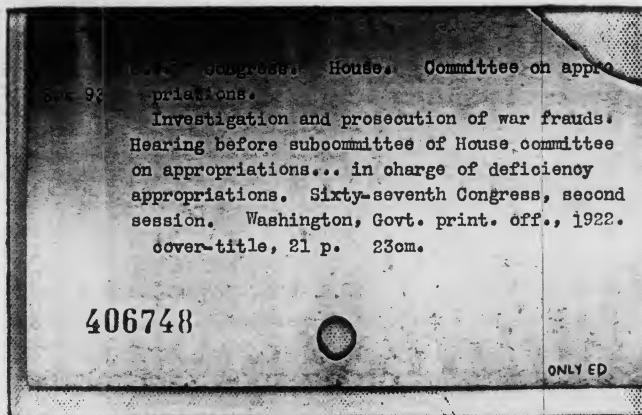
1922

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# INVESTIGATION AND PROSECUTION OF WAR FRAUDS

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## HEARING

BEFORE

### SUBCOMMITTEE OF HOUSE COMMITTEE ON APPROPRIATIONS

CONSISTING OF

MESSRS. MARTIN B. MADDEN (CHAIRMAN), JOSEPH G. CANNON,  
DANIEL R. ANTHONY, JR., PATRICK H. KELLEY, WILLIAM R. WOOD,  
LOUIS C. CRAMTON, JOSEPH W. BYRNS, THOMAS U. SISSON,  
AND JAMES A. GALLIVAN

IN CHARGE OF

### DEFICIENCY APPROPRIATIONS

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SIXTY-SEVENTH CONGRESS  
SECOND SESSION



WASHINGTON  
GOVERNMENT PRINTING OFFICE

1922

## INVESTIGATION AND PROSECUTION OF WAR FRAUDS.

HEARINGS CONDUCTED BY THE SUBCOMMITTEE ON DEFICIENCIES  
(MESSRS. MARTIN B. MADDEN (CHAIRMAN), JOSEPH G. CANNON,  
DANIEL R. ANTHONY, JR., PATRICK H. KELLEY, WILLIAM R.  
WOOD, LOUIS C. CRAMTON, JOSEPH W. BYRNS, THOMAS U. SISSON,  
AND JAMES A. GALLIVAN) OF THE COMMITTEE ON APPROPRIA-  
TIONS, HOUSE OF REPRESENTATIVES.

THURSDAY, MAY 11, 1922.

COMMITTEE ON APPROPRIATIONS.

HOUSE OF REPRESENTATIVES.

SIXTY-SEVENTH CONGRESS, SECOND SESSION.

MARTIN B. MADDEN, Illinois, *Chairman.*

CHARLES R. DAVIS, Minnesota.  
DANIEL R. ANTHONY, Jr., Kansas.  
WILLIAM S. VARE, Pennsylvania.  
JOSEPH G. CANNON, Illinois.  
C. BASCOM SLEMP, Virginia.  
SYDNEY ANDERSON, Minnesota.  
WILLIAM B. WOOD, Indiana.  
LOUIS C. CRAMTON, Michigan.  
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EDWARD H. WASON, New Hampshire.  
WALTER W. MAGEE, New York.  
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CHARLES F. OGDEN, Kentucky.  
WILLIAM H. STAFFORD, Wisconsin.  
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MARCELLUS C. SHEILD, *Clerk.*

II

ELIAH C. HUTCHINSON, New Jersey.  
ROBERT E. EVANS, Nebraska.  
L. J. DICKINSON, Iowa.  
HENRY Z. OSBORNE, California.  
FRANK MURPHY, Ohio.  
JOSEPH W. BYRNS, Tennessee.  
THOMAS UPTON SISSON, Mississippi.  
JAMES P. BUCHANAN, Texas.  
JAMES A. GALLIVAN, Massachusetts.  
JAMES F. BYRNES, South Carolina.  
GORDON LEE, Georgia.  
BEN JOHNSON, Kentucky.  
CHARLES D. CARTER, Oklahoma.  
EDWARD T. TAYLOR, Colorado.  
WILLIAM B. OLIVER, Alabama.  
THOMAS W. HARRISON, Virginia.  
ANTHONY J. GRIFFIN, New York.

STATEMENTS OF HON. HARRY M. DAUGHERTY, ATTORNEY GEN-  
ERAL; MR. RUSH L. HOLLAND, ASSISTANT ATTORNEY GENERAL;  
AND MR. JOHN D. HARRIS, CHIEF DIVISION OF ACCOUNTS, DE-  
PARTMENT OF JUSTICE.

GENERAL STATEMENT.

The CHAIRMAN. Mr. Attorney General, we have before us for con-  
sideration an estimate of \$500,000 for your department for the in-  
vestigation and prosecution of war frauds, the estimate being as fol-  
lows:

Investigation and prosecution of war frauds: For the investigation and  
prosecution of alleged frauds, either civil or criminal, growing out of or arising  
in connection with the preparation for or prosecution of the late war, to be  
available for employment of counsel and for all other purposes in connection  
therewith, whether in the District of Columbia or elsewhere, to be immediately  
available, to remain available until expended, and to be expended in the discre-  
tion of the Attorney General (submitted) \$500,000.

We will be glad, Mr. Attorney General, if you will be kind enough  
to make a general statement in regard to this estimate.

Mr. DAUGHERTY. Mr. Chairman and gentlemen of the committee,  
of course, all of you recognize that this is unusual work. It is the  
most expensive work, probably, with the exception of one other, of  
all the branches under the operations of the Department of Justice.  
That probable exception is the antitrust work. Now, our plan has  
always been, and is now, as rapidly as the other departments, and  
especially the War Department, complete the accounting, and  
refer the results thereof to the Department of Justice, to go through  
them, check them up, and make investigations to discover whether  
the testimony adequately supports the claims, or to defend  
against those claims that are asserted against the Government. We  
have been pursuing this policy, using our regular force, and ex-  
hausting our funds, which, possibly, was not the fair thing to do.  
I suppose you are aware of the fact that never in the history of  
the Government—and I have been quite familiar with the Depart-  
ment of Justice for 25 or 30 years—has there been so much expected

of the Department of Justice. This country is like a great estate: its affairs are complicated, but it is not insolvent. However, the conditions are such as to require a vast amount of work on the part of the entire force of the Department of Justice, aside from this unusual work. I suppose we have in the department 250 or 275 war-contract cases that we have been working on.

Many of them are practically completed now, and I did not want to ask Congress for any special appropriation until it became necessary.

Now, in order to carry on this work it is necessary for us to employ the best attorneys that can be employed to meet the best attorneys and the best-paid attorneys whom we are compelled to meet in these cases. I have no hesitation in saying to this committee—whose respect and confidence I seek—that I want to be conservative in connection with the suits that are brought—both civil and criminal. I shall never allow a man to be indicted unless I think he is guilty, and unless I think, taking into consideration the general vicissitudes of a trial, that he can and should be convicted. I will not assume the jurisdiction of the court; but if I determine that a case can not be sustained or ought not to be sustained, I will not, for the accommodation of any clamor, allow suit to be brought. Recognizing the right of the people of this country to know just what this situation was, I started about a year ago in an effort to make an organization that would accomplish the work of writing the story of the cost of this war into the records of the Department of Justice so that it might stand for all time. Thousands of the men, women, and concerns who did business with the Government did it patriotically and did it honestly.

I have not given to the country, I have not given to any committee, and will not make public the cases that were examined. Often an injustice is done by allowing too much to be published in connection with work of this character, and oftener the case is injured by allowing those on the other side—and there are many on the other side in these transactions—to know what is being done. In other words, the case is injured by premature publicity. Therefore I followed the policy of not allowing much to be said for publication as to the undertakings of the Department of Justice, but to give to the press and to the public when the thing was really accomplished the facts of the case.

Mr. Chairman, I knew for the first time only five minutes ago that I was coming up here this morning, and I am probably giving you a bit of history that is not interesting to you.

The CHAIRMAN. I think your outline is very interesting.

#### EMPLOYMENT OF SPECIAL ATTORNEYS.

MR. DAUGHERTY. These cases are handled in this way: We must employ special counsel; the district attorneys are very busy, and the regular force of the Department of Justice is very busy. Therefore, we must employ attorneys who are of such standing and of such ability as to be able to meet the best lawyers of the country.

#### LINCOLN MOTOR CASE.

I can give you an example now. Take the Lincoln Motor Case, just for an example: That case came to us from the War Department on the 14th of February, I think, and we took it up with what force

we could put to work on it. We employed a special attorney who would familiarize himself with the case during the preparation and presentation of the claim to the trustee in Detroit. Assuming that this was a very important case, I also had an Assistant Attorney General go to Detroit. With this special organization consisting of an Assistant Attorney General and the district attorney, with our own help, we prepared that claim for presentation. We had a suspicion that the trustee would reject the claim. There were about \$6,000,000 in the hands of the trustee for distribution among the creditors. The discovery of the Government claim was made late, and after the trustee was ready to make the distribution. By the use of the wire, telephone, and special agents, we held up the distribution and secured an order of court fixing a time within which the Government's claim could be presented. It required days and nights of work to prepare the claim. Many of these claims have figures in them that would reach from Washington to Vera Cruz. They are extremely complicated.

Now, in that case I would not say that the Government should win the entire amount, and I would not say that the entire amount that the Government might get judgment for would be preferred. Those questions must be thought out and must be fought out. This is a case involving nine or ten million dollars, and it requires the employment of some man in that case who can give his entire time and attention to it, and he will require such assistance as we can give. The trustee day before yesterday rejected that claim. The bill is in course of preparation, and it is a question as to what will be required in handling the case through the courts. What that case will cost in the matter of its preparation for trial, assembling the witnesses, and taking the testimony, I can not say, but, taking into consideration all the reasonable charges and the amount of work that will be required in that case, I imagine we will have to spend from fifty to sixty thousand dollars.

#### EMPLOYMENT OF EXPERT ACCOUNTANTS.

Included in this work, as you may readily recognize, is the necessity for checking up these accounts, and that must be done by experts. We have 15 or 17 men in what is known as our expert accountants department, and these men generally are at work on those cases growing out of irregularities and violations of the national bank laws. We have been using them in connection with these investigations.

In getting ready for the practical work of the trial, I find that we will not be able to meet the other side in this case with any but the best men that can be secured. How much we will have to pay expert accountants I do not know, but, as you know, they are very expensive. My plan is to appeal to their patriotism as much as possible, just as I do in the employment of attorneys. I have attorneys employed who are giving to the Government their time for one-third of what they could make in their regular practice. For instance, I have a man at work whose earning power I know is between forty and fifty thousand dollars, but I have a contract with him for \$10,000. After he got into the work, he said, "I do not care whether you pay

me anything or not"; but that would not be fair to him. I do not know what kind of contracts I can make with accountants, but it will be necessary to make contracts with several. I thought I could appeal to them by getting them together and saying to them that this is Government work, and they ought to give us a favorable price. I think I can accomplish that. I am hoping I may be able to cut their regular charges down one-third, inasmuch as this is Government work.

In presenting these figures and these cases it will be necessary to secure the character of men who will do it in a truthful, dependable, and the most effective way before courts and juries. It is necessary to have men of a character who on cross-examination can take care of themselves against the best experts, such as we are required to meet in this business.

Now, how many of these cases, or how many of these important cases, will have to be tried I do not know. Many of them must be investigated, and many of them are being investigated. I have tentatively arranged, conditioned upon securing the necessary funds, for conferring with the presidents of bar associations and for taking advantage of all the information I have in the department as to the character of men I want to get in this work—that is, of the 20 or 25 attorneys I want to get in this work. I would not want to employ in this work a man who was not capable of making very much more than we will be able to pay him. I have not any disposition to be extravagant with the people's money. I have not much disposition to be economical with my own, and I will take liberties with my own money, or what little I have, that I would not take with public money. My plan was to get this appropriation, if you agree with me on this proposition, and to use it for all necessary purposes in connection with this work and not to use one dollar of it for any other purpose; so that when the story of the war expenditures of this character is written, it will be a truthful and dependable story. We will then know just what it has cost to close up work of this character.

If this amount should not be used, of course it will be turned back. I can not give you much of an estimate on what it will take; but I will expect, of course, to make an accounting to this committee and to the country for the expenditure.

#### NUMBER OF CASES PENDING.

The CHAIRMAN. Can you give us any idea how many cases are now pending in the department?

Mr. DAUGHERTY. Night before last, when I went over the list, there were about 275.

The CHAIRMAN. What is the number of cases of all classes?

Mr. DAUGHERTY. All over the country?

The CHAIRMAN. Yes.

Mr. DAUGHERTY. It varies, and now at the close of terms of court the number may be cut down some, but there is a congested condition practically everywhere. Making a rough guess at it, there must be all over the country, including Alaska and all the general jurisdiction and for the United States, 65,000 or 70,000 United States cases

of all classes on July 1, 1921. It is estimated that we will have upward of 90,000 on June 30, 1922.

The CHAIRMAN. Have you any idea how many of them are prohibition cases?

Mr. DAUGHERTY. No; I have not. In that connection there were tables containing that information presented in connection with the bill providing for the additional judges. The information has not been brought down to date, but it was brought down to that date, and you can get that from the files of the Judiciary Committee. They have a statement showing the character of those cases, or the general character of them, and where they are. That data was prepared most carefully, and checked up. The district attorneys and clerks' offices were circularized in getting that information.

The CHAIRMAN. I wonder if Mr. Harris could put in the record a statement showing how many prohibition cases there are, how many war contract or fraud cases there are, how many patent cases, how many income and excess-profits tax cases there are, and how much money is available for those cases?

Mr. DAUGHERTY. We can get that information. We made an estimate the other day on that. We estimated in our department of claims that there is something over \$1,000,000,000 in claims pending, a part of which comprises war claims. By that I mean over \$1,000,000,000 in claims being asserted against the United States. There are probably \$600,000,000 involved in patent claims alone. There is one case involving \$122,000,000, and those claims are increasing in number right along. In this list of cases that I went over night before last there were \$192,000,000 in claims growing out of the war.

The CHAIRMAN. Against the Government?

Mr. DAUGHERTY. No, sir; claims we are undertaking to collect, or claims that we are investigating for the purpose of collecting them. I should say there are about 275 claims ranging in amount from several thousand dollars to several million dollars.

The following is statement showing the number of cases of the classes enumerated above which were pending on June 30, 1921, which is the last complete fiscal year for which statistics are available; and the estimated number now pending, or which will be pending at the close of the current fiscal year ending June 30, 1922.

The number of cases, both civil and criminal, commenced under the national prohibition act during the fiscal year ended June 30, 1921, was 31,012; the number of such cases disposed of was 21,919; the number pending at the close of the year was 12,192.

It is estimated that there has been and will be an increase of 50 per cent for the current fiscal year in cases commenced, so that if approximately the same number should be disposed of during the year as during the preceding year, there will be pending at the close of June 30, 1922, about 40,000.

Inasmuch as war-contract cases were not segregated for statistical purposes, the Department has no record of the number pending at the close of June 30, 1921; but the number pending at the present time is approximately 275.

The office of the Solicitor of Internal Revenue reports that the number of tax cases, including bankruptcy and receivership proceedings in which the United States is interested for the purpose of collecting taxes, pending at the close of June 30, 1921, was 947, while the number pending on May 1, 1922, was 1,986.

The foregoing figures relative to tax cases include income-tax matters, estate tax, excess-profits tax, transportation tax, sales tax, munitions tax, stamp tax, and capital stock tax.

Of the 545 cases pending on May 1, 1922, 859 are ordinary civil proceedings, 1,051 arise from bankruptcy proceedings, and 76 arise out of receivership proceedings.

The number of patent cases pending at the close of June 30, 1921 was 172, while the number pending at the present time is approximately 198. During this period there have been disposed of approximately 30 cases.

With respect to the amount of money available for war contract or fraud cases the total amount of the appropriation entitled "Pay of special assistant attorneys, United States courts" is available for the employment of counsel, and the total amount of the appropriation entitled "Detection and prosecution of crimes" is available for accountants, etc., but these appropriations are at present insufficient to take care of other classes of cases.

#### PROPOSED EXPENDITURE.

**THE CHAIRMAN.** What is the present machinery of the department for the handling of these cases? What facilities have you for conducting this enormous amount of work?

**MR. DAUGHERTY.** We have seven Assistant Attorneys General and under each of them from 5 to 25 attorneys of various grades, and also clerks, and also some special assistant attorneys. Of course, we have a reduced number of special Assistant Attorneys General. I thought we ought to pay better prices for better men; not extravagant prices, but better prices for better men and not have so many men. We have, of course, the district attorneys and the assistant district attorneys, but there are many places where additional assistant district attorneys ought to be added.

**THE CHAIRMAN.** How will this \$500,000 be expended?

**MR. DAUGHERTY.** It will be expended in the employment of special counsel and in their traveling expenses, in the employment of accountants and their traveling expenses, investigators and their traveling expenses, the fees of expert witnesses and their traveling expenses, the employment of stenographers and clerks, reporting testimony, printing of briefs and records, etc. I do not know how it can be arranged, but the department has no room in the building for an additional corps of people.

In some way I hope to get these special men—who are working on these special cases and who generally do their work here—all together; get a floor or a building and arrange a consultation room, and in that way they can help each other very much. Many special attorneys now employed are on small salaries. You take, for instance, Mr. Linton, in the Wright-Dayton case; he is a man of large practice; he came at a very small price, and he is at work with our assistant on that case. They are men who do not bring their families here, and they are generally men who spend their evenings at work. Now, if I could get a building where these special attorneys, special accountants, etc., 25, 30, or 40 of them, could be together—sometimes they are out in the field, but there would always be quite a good many together—they could have their consultation room and help each other, and the Attorney General would not be adverse to going to that department once a day for consultation as to this work.

**MR. BYRNS.** Do I understand that the force you propose to employ out of this appropriation, consisting of attorneys, investigators, ac-

countants, etc., are going to be exclusively employed on war fraud cases?

**MR. DAUGHERTY.** Yes, sir.

**MR. BYRNS.** How about your present force of investigators?

**MR. DAUGHERTY.** They have all they can do and more too.

**MR. BYRNS.** About how many investigators have you now employed on this particular class of cases?

**MR. DAUGHERTY.** The investigators we now have going over these cases are men on our regular force. I could not tell you how many are at work on them, but as a guess I should say that there must be at least 100 men on these cases. What about that, Mr. Harris?

**MR. HARRIS.** No; not now. That might be so if you take into consideration those who are attending sales where sales of war supplies are being made, but outside of that we have on the work at the present time, and all that we have been able to put on, are eight.

**THE CHAIRMAN.** What would be the maximum compensation paid out of this \$500,000 for any work that might be done by an attorney?

**MR. DAUGHERTY.** I do not know; it depends on what we are compelled to do.

**THE CHAIRMAN.** Have you any idea how much of this \$500,000 will be expended for salaries, and how much for expenses, etc.?

**MR. DAUGHERTY.** No; I have not much idea, and I can not tell. I would say, by way of a guess, that before we get through the expert witnesses and the accountants will cost about as much money as the attorneys. I should say that if it costs \$500,000, we ought to get through on \$250,000 or \$300,000 on attorney fees, with their expenses added to that, and \$100,000 to \$150,000 on account of experts and accountants, because these three activities will comprise the principal part of the work.

#### METHOD AND PROGRESS OF CASES HANDLED.

**THE CHAIRMAN.** Have you any idea how long it will take to dispose of the war fraud cases?

**MR. DAUGHERTY.** I do not know how long it will take to go through all of these accounts—that is, how long it will take the War Department to go through them. We are just attorneys for these other departments, and we take them as soon as they are sent over; sometimes we meet them halfway, and we are working very nicely now and have been for several months. Secretary Weeks told me that they had audited, the last time he made an estimate, 15,000 of these 150,000 contracts, and he estimated it would take five years. I expect to return to the Government very much more than this appropriation.

**THE CHAIRMAN.** Has the Department of Justice any knowledge of what recoveries the War Department or the Navy Department have made by reason of auditing these war contracts?

**MR. DAUGHERTY.** I have not. You see, we have no authority to settle a case, no case is ever settled, and I never settle a case except upon the recommendation of the department we represent. I have adopted the policy—and I do not think it has ever been departed from—that no matter what kind of a case it is coming to us from any department and a proposition to settle is made to us, to always suggest the proposition to the department which sent us the claim, and I have never settled a case, and I do not think I ever will, with-

out the written recommendation of the department that sends us the business.

Mr. SISSON. You do not mean that to be an invariable rule?

Mr. DAUGHERTY. Yes; I do not know where I have made a single exception.

Mr. SISSON. I can imagine such cases in which the other department might want something that is not reasonable and is unfair, and that if it appeals to you or your department you might be doing a citizen a very grave injustice by continuing the prosecution. Under such circumstances you would not hesitate a moment to take the proper action, would you?

Mr. DAUGHERTY. Not at all; but that situation has never arisen in my year and some weeks term.

The CHAIRMAN. How many war fraud cases have been referred to you by the departments?

Mr. DAUGHERTY. I do not think the term "war fraud cases" is a proper term.

The CHAIRMAN. Well, then, whatever they are—the contract cases.

Mr. DAUGHERTY. I think 275 or 300.

The CHAIRMAN. That have been referred to you by other departments?

Mr. DAUGHERTY. Yes.

The CHAIRMAN. How many more do you expect to have referred to you?

Mr. DAUGHERTY. I do not know. However, I know this, that on account of the manner in which we are handling this work, and not letting anybody know who is under investigation, has been under investigation, or will be under investigation, that practically everybody who did business with the Government feels that they should now reaudit their accounts. As the War Department is authorized to do that, a great many such claims are now being taken up, so that a great many will drop out, and how many will be sent over out of the 135,000 estimated yet to be gone over, I do not know.

The CHAIRMAN. What progress has been made with the cases that have been referred so far?

Mr. DAUGHERTY. Well, they are in different stages. I will give you some instances: The harness case was argued on motion to dismiss several months ago. For some reason, no doubt satisfactory to the court, the court has not rendered a decision. The criminal branch of that case met its troubles on account of the expiration of the time that the grand jury could work on it and because a certain witness essential in the case could not be located. That case will be ready to submit to a grand jury as soon as we can get a grand jury.

The CHAIRMAN. It is ready now?

Mr. DAUGHERTY. Yes. Many other cases are started.

The CHAIRMAN. Will the Government be able to recover in most cases or will the profits of the people against whom the Government has cases have been distributed and spent so that the recoveries will be made more difficult on that account?

Mr. DAUGHERTY. I could not tell you, but I can say this to you, that we will do the best we can. Of course, that is another part of the work—watching the movements of these people to see that their property is not scattered. I do not know in how many we will be

successful, and there is not a person on earth who could give you any estimate.

NEED OF EXPEDITING PROSECUTION OF CASES.

The CHAIRMAN. What is your suggestion as to the best way of expediting the prosecution of these cases?

Mr. DAUGHERTY. We should have all the help we can profitably use to get this work completed, because it is very essential to do it as early as possible. Witnesses are leaving, testimony is being scattered; and I think that the better judgment would be to give the War Department such assistance as it may require in order that they may be enabled to hurry this work along and in order that they may get those cases in shape for settlement. I think that settlements, or voluntary settlements, will be more numerous in cases next year than they have been in the past.

The CHAIRMAN. I call your attention to this statement, appearing at page 71 of the report of the Director of the Bureau of the Budget:

While not strictly a saving, attention is invited to the fact that due to work initiated by this office it is probable that a considerable sum of money will be refunded to the United States under settlement of contracts made for the procurement of material for war purposes. Within the first two months after the signing of the armistice, owing to the urgent necessity for the rehabilitation of private industry, a number of settlements were made with contractors without a careful audit or determination of costs. Fortunately these contracts did contain a provision compelling the contractor to keep his records intact and accessible to the agents of the United States for a period of time after the war ceased. A cursory examination of some of these settlements indicated that substantial overpayments had been made in many cases. The records of certain of these contractors have been carefully examined and audited. It has been found that some of the settlements above mentioned were decidedly contrary to the terms of the contract, were in violation of modern methods of accounting, and that very substantial overpayments were most probably made. Upon the recommendation of the Chief of Air Service, in October, 1921, the Secretary of War approved auditing the records of some 30 different contractors. This work is progressing rapidly, and in five cases already finished the audit has disclosed overpayments amounting to over \$19,000,000, but this amount is not included in the totals.

Mr. DAUGHERTY. I think that about four or five million dollars of that \$19,000,000 was on account of the Lincoln Motor claim. The bill in that case is ready to file now that the trustee has rejected the claim. I think you will find that many of those people who did business with the Government will be coming in now. Many mistakes will be found upon the rechecking of their accounts, and I think you will find them coming in. I do not say much about this work, because you can not be explaining all the time what you are doing and have any time left in which to do it. The Department of Justice has done a vast amount of work, and I would say that one-fourth of the time of the important men in the department has been devoted to this kind of work. Now, we must have the money to pay for this class of work, because otherwise it is going to be burdensome upon our other appropriations. We must have it, if it is the desire of Congress to go through with this work as expeditiously and conservatively as possible, and I imagine that it is the desire of Congress to have it done that way. I explained to the President two months ago that this was coming, and I talked with Mr. Dawes

about it. I also consulted with you, Mr. Chairman. I could not consult with everybody. I think you agreed with me that this work should be cleaned up. It is due the people of the country that they should know the real story of all these transactions. They are entitled to know the real truth about it, and as accurately as it can be written by conscientious men, who have no ambition to serve, except to see that the right thing is done.

Mr. WOOD. In addition to that do you think that if this money is appropriated there will be enough money recovered by the Government that would not be recovered otherwise to warrant the appropriation of this amount?

Mr. DAUGHERTY. Yes, sir. A good many settlements have been made because of the investigations that we have started.

Mr. WOOD. As I understand you, if this appropriation of \$500,000 is made it will more than pay for itself, or justify itself, by the return you will make to the Government, which you would not be able to make without the appropriation?

Mr. DAUGHERTY. Yes, sir; that is true. I have no disposition to claim credit for myself, but from observing the work of these men, and from the way I think they stand all over the country in their work for the Department of Justice, I think that the Government will realize a very material profit on this investment. If it were possible to do so, I would like to make a contract with the Government to return all of this money a good many times over out of monies that will be directly traceable to the efforts of the Department of Justice. A large amount of credit must be given to the other departments which must assist and which are now assisting in this work.

The CHAIRMAN. Your idea now is that it is very important to be placed in a position to prosecute the cases?

Mr. DAUGHERTY. Yes, sir. We have gotten to the point where we are up against it in the matter of money and men. We have reached the point where we are having to use our own force beyond any reasonable limit. I can not go through another such year's work, and give the hours, night and day, that I have done this last year. No man is physically able to do it. Now we have reached the point that we expected we would reach, and we must have more assistance.

The CHAIRMAN. If we give you this money now, are you prepared to organize the force?

Mr. DAUGHERTY. Yes, sir. I expect to make our own force do a portion of this work. We do not know anything about hours down there. We work on Sundays and on many nights. I do not intend that the regular force of the department shall be taken entirely out of this work, but I want them to keep in touch with it. As they are needed, they can be loaned for this work, or they can do other work at the same time. I will not put the extra men on any faster than I need them.

#### EMPLOYMENT OF TEMPORARY EMPLOYEES.

Mr. SISSON. It is your idea to have the department to which you refer placed in charge of some good man to handle all these matters?

Mr. DAUGHERTY. It will be in charge of the Attorney General, but I will have that man under me.

Mr. SISSON. Of course, I understand that you have charge of the entire department.

Mr. DAUGHERTY. My idea is to make a special department. The men I will put in this department will not be regular employees of the department, but they will be engaged solely on this work.

Mr. SISSON. Then, the man you put in charge will be a temporary employee?

Mr. DAUGHERTY. He will be a temporary employee. All of these men will be temporary employees, and as soon as the work is done, they will be cut off.

#### CHARACTER OF WORK ASSIGNED TO AND NUMBER OF EMPLOYEES, ETC., OF VARIOUS DIVISIONS.

Mr. SISSON. You have seven assistants, or you have seven divisions of work in the department?

Mr. DAUGHERTY. Yes.

Mr. SISSON. This department would not fall directly under any one of those seven departments, but it would come under you?

Mr. DAUGHERTY. It would come under my supervision. The next man to me would be the Assistant to the Attorney General, but I could not expect him to devote much time to this. I do not know of any more important work that the Attorney General of the United States can do than this work.

Mr. SISSON. What particular work is assigned to each of these seven departments? Does each department have any particular line of investigation, or do they have all kinds of work to do?

Mr. DAUGHERTY. You are not familiar with the organization of the Department of Justice, are you?

Mr. SISSON. No; I have been on the committee a long time, and I know about as much about the organization of the Department of Justice, perhaps, as about the others.

Mr. DAUGHERTY. To each assistant are assigned certain subjects and a certain force to assist him in taking care of those subjects.

Mr. SISSON. About what is the force in each of those departments, or do they have about the same number of employees?

Mr. DAUGHERTY. No. For instance, in our Claims Division in the department we have probably 40 men.

Mr. SISSON. In order that we may have a bird's-eye view of your organization, suppose you put into the record a statement showing what organization you have in your department.

Mr. DAUGHERTY. I will be glad to do that.

Mr. SISSON. Let that statement show the character of work that is assigned to each of the seven divisions.

Mr. DAUGHERTY. I do not want to do that now. I am reassigning those subjects now, and I do not know how soon we will get it done.

Mr. SISSON. You could give the present organization.

Mr. DAUGHERTY. We will do that. In a few days we will have a reassignment of duties, and I will have sent to the committee a statement showing the subjects now assigned to each of the assistants, and when we work out this reassignment, which is under way now, I will send that to you also.

Mr. SISSON. Giving the number of men in each of the divisions, and a statement of the salaries.

Mr. DAUGHERTY. We will send you the whole salary list. You have that anyway, have you not?

Mr. SISSON. Perhaps so, but if we have it in the hearing, it will be accessible to everybody.

Mr. HOLLAND. We have a chart that we can send to you.

Mr. DAUGHERTY. This might be interesting to you: I am reassigning those subjects, because, as you know, you have under any administration certain men who are better qualified for handling certain subjects than others.

*Statement of officials and employees under the Attorney General, Solicitor General, Assistant to the Attorney General, and respective Assistant Attorneys General who are employed in the department at Washington, D. C., but not including the subordinate divisions in the department or the special assistants to the Attorney General and to United States attorneys employed in the field.*

Office of the Attorney General:

Attorney General (statutory)	\$12,000
1 special assistant to the Attorney General (lump)	6,000
1 private secretary (statutory)	3,600
2 assistant secretaries, at \$2,500 (lump)	5,000

Office of the Solicitor General:

Solicitor General (statutory)	10,000
1 special assistant to the Attorney General (lump)	6,000
Do	5,000
Do	4,000
1 assistant attorney (statutory)	2,000
1 law clerk (statutory)	1,800
Do	2,500
1 special employee (lump)	1,400
1 stenographer (lump)	

Office of the assistant to the Attorney General:

Assistant to the Attorney General (statutory)	9,000
1 special assistant to the Attorney General (lump)	7,200
2 special assistants to the Attorney General, at \$6,000 (lump)	12,000
1 special assistant to the Attorney General (lump)	5,500
2 special assistants to the Attorney General, at \$5,000 (lump)	10,000
1 special assistant to the Attorney General (lump)	4,200
Do	4,000
Do	3,600
Do	2,920
1 attorney (statutory)	3,250
Do	3,000
1 attorney (A. T.)	2,500
1 special attorney (A. T.)	2,500
1 law clerk (A. T.)	2,200
Do	1,400
1 assistant secretary (A. T.)	2,200
1 special employee (A. T.)	1,300
1 clerk (statutory)	1,800
1 clerk (A. T.)	1,600
Do	1,400
1 clerk (statutory)	1,400

Office of Assistant Attorney General Holland:

Assistant Attorney General (statutory)	7,500
1 special assistant to the Attorney General (lump)	5,000
1 special assistant to the Attorney General (lump)	4,500
1 special investigator (lump)	4,000
1 special employee (lump)	2,000

Office of Assistant Attorney General Lovett:

Assistant Attorney General (statutory)	7,500
4 special assistants to the Attorney General, at \$5,000 (lump)	20,000
2 special assistants to the Attorney General, at \$4,000 (lump)	8,000

Office of Assistant Attorney General Lovett—Continued.

1 special assistant to the Attorney General (lump)	\$3,600
Do	3,500
Do	2,500
1 attorney (statutory)	5,000
Do	3,750
2 attorneys, at \$3,500 (statutory)	7,000
7 attorneys, at \$3,000 (statutory)	21,000
1 assistant attorney (statutory)	3,500
2 assistant attorneys, at \$3,000 (statutory)	6,000
1 assistant attorney (statutory)	2,500
1 clerk (lump)	1,800
1 clerk (statutory)	1,800
2 clerks, at \$1,600 (statutory)	3,200
3 clerks, at \$1,600 (lump)	4,800
3 clerks, at \$1,400 (lump)	4,200
1 clerk (statutory)	1,400
1 clerk (lump)	1,300
1 clerk (lump)	1,200
2 clerks, at \$1,200 (statutory)	2,400
1 clerk (statutory)	1,000
1 clerk (statutory)	900

Office of Assistant Attorney General Ritter:

Assistant Attorney General (statutory)	7,500
2 special assistants to the Attorney General, at \$5,000 (lump)	10,000
2 attorneys, at \$5,000 (statutory)	10,000
1 attorney (statutory)	3,500
2 attorneys, at \$3,000 (statutory)	6,000
2 assistant attorneys at \$2,750 (statutory)	5,500
1 assistant attorney (statutory)	2,500
1 law clerk (statutory)	2,000
3 clerks, at \$1,600 (statutory)	4,800
1 clerk (lump)	1,500
2 clerks, at \$1,400 (statutory)	2,800

Office of Assistant Attorney General Orringer:

Assistant Attorney General (statutory)	7,500
1 special assistant to the Attorney General (lump)	6,500
1 special assistant to the Attorney General (lump)	5,000
1 attorney (statutory)	3,500
1 clerk (lump)	1,800
1 clerk (lump)	1,400
1 clerk (statutory)	1,400

Office of Assistant Attorney General Crim:

Assistant Attorney General (statutory)	7,500
1 special assistant to the Attorney General (lump)	3,000
1 attorney (statutory)	5,000
1 attorney (statutory)	4,500
2 attorneys at \$3,000 (statutory)	6,000
1 clerk (statutory)	1,800
3 clerks at \$1,400 (lump)	4,200
1 clerk (statutory)	1,400
1 clerk (lump)	1,200

Office of Assistant Attorney General Willebrandt:

Assistant Attorney General (statutory)	7,500
1 special assistant to the Attorney General (lump)	4,000
1 special assistant to the Attorney General (lump)	2,750
1 assistant attorney (statutory)	2,400
1 clerk (lump)	1,800
1 clerk (lump)	1,600
1 clerk (lump)	1,200

NECESSITY FOR EMPLOYMENT OF SPECIAL ATTORNEYS.

Mr. SISSON. Now, if I may get through with my inquiry, because I imagine there will be a good many questions asked on the floor of the House—

Mr. DAUGHERTY (interposing). I will ask some, too, when I get ready.

Mr. SISSON. But I do not know that you will be on the floor.

Mr. DAUGHERTY. I have a way of asking them, whether I am on the floor or not.

Mr. SISSON. I am not doing this for any purpose except to get a record that will justify the appropriation, if it is to be made. Now, why is it that in the various districts in which these cases occur the United States district attorneys can not handle them?

Mr. DAUGHERTY. Because, no matter what the politics of a man may be—

Mr. SISSON (interposing). I suppose there will be no politics in the Department of Justice?

Mr. DAUGHERTY. I want that definitely understood and put in the record, too; because the district attorneys are occupied constantly all over the country or generally so, although there may be some exceptions, with the ordinary business of their districts. There is an extraordinary amount of business now, as you must know, for them to attend to in their particular localities. Because of the great importance of these cases, I do not think it will be fair to the Government to expect the district attorneys to prepare themselves and to devote all of their time to them, even if they were capable of trying the cases. If district attorneys were required to do this work it would take them off their other work altogether. The regular force, or the regular district attorneys, could not do it. I do not think any district attorney has been appointed by this administration whom I have not seen and talked to personally. I have said to them that they would be expected to do very much more of the public business than formerly. I have tried to picture the thing to them.

When I was offered the position of district attorney thirty years ago, I felt myself very much flattered, because it was considered a very high honor to be district attorney. Service as district attorney (if he makes a good district attorney) gives a man a reputation that assures to him perpetual profitable practice. I say to these men, "You are not expected to pay any attention to politics, others will take care of that; you are expected to do the public business, and you are not only expected to take care of criminal business, but you must give attention to the civil business. I want to get those district attorneys up to the point where they realize they are a part of the Department of Justice. I know the amount of time that is required to do this work, and I know, in the first place, that they have not sufficient time to take care of these war fraud cases. In the second place, if they had the time and were capable of doing the work, they would have to be here for part of their time in the preparation of the cases, because most of this data is here in Washington. I expect to use the district attorneys and I have used the district attorneys. I expect to have them sitting at the trial table as much as they can, and I expect to use them in connection with this work as much as possible. In that way, I expect to take off from this fund as much of the work or expenditure as I possibly can."

Mr. SISSON. In other words, your idea is that the condition of the business of the district attorneys in the districts in which these

prosecutions may occur is such that if they undertook to handle any of these large cases, it would engross so much of their time that they could not perform the duties devolving upon them in the regular routine of their service?

Mr. DAUGHERTY. I mean, besides that, that generally speaking the best lawyers of the country are not district attorneys. I hope to have the best district attorneys the country ever had, but generally they will not be able to go up against attorneys who are making \$100,000 a year, and besides no one man can try these cases.

Mr. WOOD. There was a practice that prevailed some time ago that was most reprehensible. I do not know whether it prevails now, or not, but it was a reprehensible practice. That is to say, in some important cases, after a district attorney had prepared himself on the case and had become conversant with it, he would resign, and then secure special employment in the prosecution of that particular case, receiving for his services compensation amounting to ten times more than he would receive in a year as district attorney.

Mr. DAUGHERTY. That practice does not now prevail in the department.

Mr. WOOD. I know that has happened in some cases. I know it happened twice in Indiana, and it happened in California. I know of three or four instances in which that happened.

#### PROPOSED METHOD OF EXPENDING APPROPRIATION.

The CHAIRMAN. I think the principal question before us now is as to the wisdom, necessity, or advisability of making this appropriation to expedite the cases that are pending, and which are important, and to facilitate the cases that may come over to you for further consideration.

Mr. DAUGHERTY. There is just this to be said about it: We can not do as much work next year as we have done in the past year unless we get this money.

Mr. SISSON. Congress will be in session in December. Do you believe that between now—and this will probably not become a law for several days—

The CHAIRMAN (interposing). If we make the appropriation, it will not be many days.

Mr. SISSON. For the sake of the argument, say it can be made by the 1st of June, and you would have six months from then to the 1st of December.

Mr. DAUGHERTY. I would not need it all to-morrow, but I need a part of it now.

Mr. SISSON. Of course, you might need \$499,999.63 by the end of the year, and the other 37 cents might wait. I understand that, and I did not ask the question in a spirit of levity.

Mr. DAUGHERTY (interposing). I do not—

Mr. SISSON (interposing). One moment, if you please. Your answer was one that would indicate that it might all be needed to-morrow, which, of course, is an absurdity.

Mr. DAUGHERTY. No; I would not want all of it to-morrow.

Mr. SISSON. And I did not have any idea of that kind. I was endeavoring, if I could, to avoid putting any more charge upon the Treasury now than was necessary. However, that is not our responsibility. I wanted to ask you this: You would not have more than six months to go before Congress would be in session again, and you would then be in a better position to know just what this work was going to cost. Therefore, I simply asked the question whether you thought you would need all of the \$500,000 between this time and the 1st of December. That was my question.

Mr. DAUGHERTY. Will you allow me to answer?

Mr. SISSON. Yes; certainly.

Mr. DAUGHERTY. Of course, I can not tell how much will be needed between now and the 1st of December. We will need some money, and we must make these employments very rapidly. It would be my guess that we would not use all of this money between now and the 1st of December. It would be my hope that it might not be necessary, and yet do the work that is necessary. If it is not used for this purpose, in the exercise of the best judgment we have, it will be in the Treasury.

Mr. SISSON. Of course, that is true; but at this particular time, as a member of this subcommittee, not as a Democrat or Republican, but only as a safeguard or guard, whether safe, or not, of the Treasury, I would not want to draw upon the Treasury for \$1 more than is absolutely necessary at this time. What I wanted to know was whether \$250,000 or \$300,000 would serve the purpose now, not with the idea that that would be the limit of what the probable appropriation would be, but whether if the committee should determine to give you \$250,000 of \$300,000 now, with the idea of appropriating whatever additional amount would be necessary in December, it would embarrass you in any way.

Mr. DAUGHERTY. I can not be embarrassed with whatever the committee does. I put the situation before the committee, and the committee must determine it. I am just as much interested in this administration and in this expenditure and in the results that are to be produced by the appropriation as anybody else.

Mr. BYRNS. As I understand it, unless you get this money, you will, necessarily, for the reasons you have explained, have to neglect some of these cases to a certain extent?

Mr. DAUGHERTY. We can not possibly do this work without some help, and it would be very profitable to have this money.

Mr. BYRNS. Therefore, unless this appropriation is made, there is a possibility that some of those people who were profiteering on the Government will escape either civil action or criminal prosecution?

Mr. DAUGHERTY. We will do the best we can, of course, with our present force, but now we are up against it. We can not do this work with the force we have, and, naturally, without any argument about it, the business of the Government will not be attended to. That is true, because there are physical limitations that must be taken into consideration, and, of course, some of those people would escape.

Mr. BYRNS. But with this appropriation you believe that you will have sufficient funds to provide the necessary organization to take up all those cases and prosecute them vigorously?

Mr. DAUGHERTY. To the limit of our ability.

Mr. BYRNS. With this appropriation, you will be able to take up every case that comes to the Department of Justice, as well as those in the department now?

Mr. DAUGHERTY. We should have had this appropriation before, probably, but I was waiting to see what would develop. They are coming faster now, and with this appropriation the department will take up every case that comes to us as fast as it comes to us and will go through it to a conclusion as soon as possible. Without this appropriation I do not know what we would do. We would probably be forced to take a responsibility that the Department of Justice ought not to be forced to take.

The CHAIRMAN. You would not be able to continue the work that is expected of you without this money?

Mr. DAUGHERTY. We would not be.

Mr. CRAMTON. For how long a period of time do you estimate this appropriation will suffice for this purpose?

Mr. DAUGHERTY. I do not know.

Mr. CRAMTON. For three months or for six months?

Mr. DAUGHERTY. We will not use it in three months, and we might not use it in six months. We will not waste any of this money. We ask for this \$500,000, and if we do not use it, it will be turned back into the Treasury. We will report every dollar expended.

Mr. GALLIVAN. We would like to know how far you can go with it. You estimated you would require \$500,000.

Mr. DAUGHERTY. Yes.

Mr. CRAMTON. You have no estimate of how long it will last, or of how many cases will come?

Mr. DAUGHERTY. I can not tell as to those cases. How can you tell what cases will come up to-morrow that will require the employment of two or more attorneys or three or more accountants?

Mr. SISSON. I did not know that we were being asked to appropriate money on the basis of what might happen, but I thought that there was a present existing condition that required attention from the Department of Justice, and that for that reason you needed a certain amount of money to help you out. Of course, we never know what will happen.

Mr. DAUGHERTY. I will make this plain to you.

Mr. SISSON. We never know what will happen or the ways of Providence.

Mr. DAUGHERTY. I will tell you this, that there is no reason why you should conclude from anything I have said that this money was to be used solely for cases on hand.

Mr. SISSON. I did not understand that there was any visionary question about it, but I thought there was a certain condition in the Department of Justice.

Mr. DAUGHERTY. There is.

Mr. SISSON. In connection with certain cases that were then pending; that certain investigations were on hand, and that as ordinary men, of ordinary morals, we could know that certain activities had to be engaged in by the Department of Justice which required the expenditure of a certain amount of money. Now, I understood that we were called upon at the present time to appropriate the money

necessary to meet that contingency, and not to meet what might arise in the future.

Mr. DAUGHERTY. You say you understood that?

Mr. SISSON. That was my understanding.

Mr. DAUGHERTY. I think you misunderstand it.

Mr. SISSON. I do not believe you will get a single Member of Congress to appropriate money on what might happen in the future.

Mr. DAUGHERTY. I am not asking them to do it. Let me explain it to you, so that you will understand it.

Mr. SISSON. I think it understand it now.

Mr. DAUGHERTY. You remember that I said those cases were coming in day after day, and that with the appropriations or assistance that the War Department was given it would take about five years to clean up those cases.

Mr. SISSON. I heard that, but you are not asking for a five-year appropriation now.

Mr. DAUGHERTY. No, sir. I do not know how much money I will be required to spend or what contracts I will be required to make in connection with cases that may come over to-morrow. This appropriation will be used for taking care of the necessary expenditures in connection with the cases that are now on hand and that may arise from time to time, growing out of those investigations. Those cases will come over from the department daily, I should say. Sometimes several of them will come in a day, and we will use this money in connection with continuing the work that we have been doing without a special appropriation for the purpose. We will use this appropriation, when available, in connection with the cases that are now in the department and in connection with the cases that will come up.

The CHAIRMAN. I think that answers the question.

Mr. DAUGHERTY. I will say this: The chances are we might not use all of this money between now and the 1st of December. I do not know what sort of a contract I will be compelled to make in order to get the services of these experts in connection with this work and to see that it is done dependably—experts who will make witnesses with whom we can meet witnesses on the other side. I do not know how much that will cost, but I will make the best contracts possible.

I am not begging for this money. It is as much your responsibility as it is mine. I am laying this matter before you as it is, and I am consulting you; you can recommend the appropriation, a part of it, or not of it, and we will do the best we can. I am just giving you my recommendation, after some experience in the matter for a year and after consultation with those under me and who are doing this work. It is nothing to me personally.

Mr. BYRNS. Could you tell us just how many war fraud cases were on hand in the Department of Justice on July 1 of last year?

Mr. DAUGHERTY. Of last year?

Mr. BYRNS. Yes.

Mr. DAUGHERTY. I do not know. You see, "war fraud cases" is hardly a fair way to put. There will be honest disputes in regard to cases which I do not consider war "fraud" cases.

Mr. BYRNS. How many cases were under investigation on the first of last July?

Mr. DAUGHERTY. I do not know, and I can not tell you now.

Mr. BYRNS. Would Mr. Harris be able to furnish that for the record—just how many cases you had last July?

Mr. HARRIS. I doubt whether we could tell that because we did not have them listed separately as war contract cases. They were listed on the calenders of the courts with other cases because there was no distinction made. We listed prohibition cases and those which were considered exceptional; we listed them separately, but at that time the necessity for listing the war contract cases had not arisen.

Mr. DAUGHERTY. The administration changed in March. It took some time to make an organization, and not many of these have come over from the War Department. Down to the 1st of July we were getting ready to get started. We had to wait on these other departments to send us their claims, and I do not think we had done a great deal of work up to the 1st of July in court or in the preparation of bills, nor had we many of these accounts up to the 1st of July, had we?

Mr. HARRIS. I do not think so.

Mr. DAUGHERTY. The amount involved in the cases is estimated to be \$192,000,000.

Mr. BYRNS. How many cases does that involve?

Mr. DAUGHERTY. I think this bunch of cases amount to about 275. These change, and sometimes when they come over they may conclude to settle with the War Department and they are dropped out. We get notice that a settlement has been completed while we are at work on these cases, so that this calendar changes rapidly.

The CHAIRMAN. I understand Mr. Johnson would like to make a statement.

#### STATEMENT OF HON. ROYAL C. JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA.

Mr. JOHNSON. Mr. Chairman, I simply want to say one thing, that I appreciate very much your allowing me to listen to what has been said this morning, and I shall observe the confidential character of this proceeding as much as though I were a member of this committee.

Mr. DAUGHERTY. I met Mr. Johnson in the other room and had a talk with him. I asked him to come in, although I knew he had a right to do so.

Mr. JOHNSON. The thing I am interested in more than anything else—as I originally introduced this amendment as an amendment to the appropriation bill on the 7th of April last—is to see that the phraseology of the amendment is such that the department will not be handicapped in any way in the expenditure of the funds. I think the chairman and members of the committee will recognize the fact that since December, 1919, I have, perhaps, taken as much interest in this line of cases as any Member of Congress, and perhaps have as much information concerning this class of cases as any Member of Congress who has not been intimately connected with the Department of Justice.

I believe that the language should be broad enough to enable the Attorney General to rent office space. I think he will agree with me that at the present time they do not have the office space they ought to have, and, as I say, I think the language should be broad

enough to permit this body of lawyers now being brought together—and I think as fine a body of lawyers as any in the United States—to have the same opportunity I would ask for myself in my own law firm, which would be that we gather together at one place, with absolute security for our records, and where every communication might be known to be confidential among that office force. So I think the language should be broad enough to permit them to rent the necessary building or space.

Mr. DAUGHERTY. You can get from 30 to 35 per cent more work when men are together and interested together.

Mr. WOOD. I will call your attention to the fact that there is now a bill pending with reference to buying the property on which are located all of these offices, and that being so, is there any reason why space could not be obtained there?

Mr. DAUGHERTY. The trouble down there is the question of fire, and these records have got to be preserved. Another thing is that that is a very hot place in which to work.

Mr. WOOD. But as far as fire is concerned, it is more fireproof than the building you are now in?

Mr. DAUGHERTY. Well, we have some vaults in that building.

Mr. JOHNSON. Let me say one other thing, and that is with reference to the amount of this appropriation. I think it ought to be more than \$500,000. I think that more men who have defrauded the Government are to-day going over their books, and I can see that from the communications which have come to me since the matter has been agitated. "The evil flee when no man pursueth." I believe that the fact that \$500,000 is appropriated, that no man can tell how far this investigation is going, how it is being pursued, or the number of attorneys and investigators employed, will bring more money into the Treasury than would be secured if the appropriation were very meager; so that, to my mind, \$500,000 is not any too large, and, as I say, I think the amount should be greater. In the first place, these settlements must be gone over by the Attorney General's force, the settlements made in the War Department and the Navy Department, where no question of criminality, apparently, has been involved. I know there must be a great force of accountants to go over those civil settlements, and the mere moral effect of the size of the appropriation, to my mind, will be a benefit to the legal department.

#### RENT OF OFFICES.

Mr. BYRNS. I would like to ask Mr. Johnson whether or not under his construction, and that of the Attorney General, the language contained in this estimate which says—

Investigation and prosecution of war frauds; For the investigation and prosecution of alleged frauds, either civil or criminal, growing out of or arising in connection with the preparation for or prosecution of the late war, to be available for employment of counsel and all other purposes in connection therewith—

Would not carry with it the authority to rent offices?

Mr. HOLLAND. I think not, because there is a statute which provides that money can not be used for the rental of buildings in the District unless it is expressly so provided in the particular appropriation.

Mr. SISSON. It must be specifically provided.

The CHAIRMAN. I think we could add the words "including rent of offices."

Mr. BYRNS. If there is any doubt about it, I take it those words should be added.

Mr. DAUGHERTY. Do you not think that would be the best way to maintain this organization? Do you not think it is economical, and do you not think it will add materially to the efficiency of the men doing this work—to get them away where they can work at this and not be interfered with?

Mr. WOOD. I think you are exactly right about that, but I think you ought to occupy Government buildings wherever possible.

Mr. DAUGHERTY. Of course, I would like to have these men as near me as possible.

Mr. WOOD. The trouble is we are paying too much rent. You are paying too much rent for the building you are in, and they are trying to ask more.

Mr. HOLLAND. I do not think we are paying too much for that building.

Mr. WOOD. You are paying a good deal more for it than you did before the war.

Mr. DAUGHERTY. No; we are still under the lease; we have not increased it.

Mr. WOOD. But they are trying to raise it.

Mr. DAUGHERTY. Yes.

The CHAIRMAN. We could do this, put in a stipulation authorizing you to rent space provided the Public Buildings Commission was not able to find suitable space for you.

Mr. DAUGHERTY. That would be all right. I wonder whether we could get a part of the War Risk Building?

The CHAIRMAN. I do not know; that is a matter for the Public Buildings Commission.

Mr. DAUGHERTY. We are considering that and we will save this fund all we can.

Mr. CRAMTON. I would like to ask the Attorney General whether it is his feeling that the language proposed is broad enough to cover the investigation and any necessary expense in connection with matters growing out of the disposition of war supplies, etc., that is, matters since the war? There may have been some frauds in the sale of war supplies after the war but growing out of the war and growing out of preparation for the war, but I want to be sure you feel the language is broad enough.

Mr. DAUGHERTY. That is a rather restricted provision.

The CHAIRMAN. We want to make it broad enough.

Mr. SISSON. I think this language, so far as frauds growing out of anything occurring in the war are concerned is broad enough to cover that.

Mr. CRAMTON. I do not care to argue it but I want an expression from the Attorney General as to whether he feels the language is broad enough.

Mr. DAUGHERTY. I thought it was, except as to this matter of rent.

The CHAIRMAN. We can modify that easily enough.

Mr. DAUGHERTY. Mr. Holland has suggested the addition of these words, "or other crimes or offenses against the United States" and I think that would be all right.

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**END OF  
TITLE**